

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 NEA-10 IO-14 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

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DRAFTED BY EB/OT/GCP:DMORRISON:COMMERCE:GBARE

APPROVED BY EB/OT/GCP:JEO'MAHONY

TREASURY:WBARREDA (SUBS)

COMMERCE:GBARE

EUR/RPE:JMCCARTHY

NEA/RA:HMONTGOMERY

L/EB:DBURNS

NEA/ARN:TMDEFORD

AGRICULTURE:RHARPER/RMCCONNELL

STR:RMATTHEISEN

----- 107840

R 300052Z APM 74

FM SECSTATE WASHDC

TO USMISSION GENEVA

INFO AMEMBASSY BEIRUT

USMISSION EC BRUSSELS

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TAGS: GATT, ETRD, EEC, LE

SUBJECT: EC-LEBANON ASSOCIATION--U.S. QUESTIONS

REFS: GENEVA 2029; GATT DOC. L/4002 (3/8/74); GATT/AIR/
1079 (4/3/74)

I. ARTICLES 1,17:

A) THE AGREEMENT BETWEEN THE EC AND LEBANON MAKES NO
MENTION OF THE PARTIES' INTENT TO FORM EITHER A FREE TRADE
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AREA OR A CUSTOMS UNION. HOW DO THE PARTIES JUSTIFY UNDER THE ARTICLES OF THE GATT THE CONCLUSION OF A TRADE AGREEMENT WHICH DISCRIMINATES AGAINST OTHER CONTRACTING PARTIES IN ORDER TO "PROMOTE AN EXPANSION OF TRADE" BETWEEN THE PARTIES?

B) IF IT IS THE INTENT OF THE PARTIES TO EXPLAIN THE AGREEMENT AS AN INTERIM AGREEMENT AUTHORIZED UNDER ARTICLE XXIV OF THE GATT, WHAT IS THE PLAN AND SCHEDULE REQUIRED UNDER SUB-PARAGRAPH XXIV (5) C? WHY DOES THE AGREEMENT LACK A COMMITMENT TO ANY STAGE OF FURTHER ASSOCIATION BEYOND THE PERIOD OF FIVE YEARS SPECIFIED IN THE AGREEMENT? SINCE THE AGREEMENT ONLY STATES THAT NEGOTIATIONS MAY BE OPENED AT A FUTURE TIME WITH A VIEW TO CONCLUDING A WIDER AGREEMENT, HOW CAN IT BE VIEWED IN ANY WAY AS AN INTERIM MEASURE?

C) TO WHAT EXTENT AND IN WHAT WAY CAN IT BE CONSIDERED

THAT SUBSTANTIALLY ALL THE TRADE BETWEEN THE PARTIES WILL BE EXEMPT FROM CUSTOMS DUTIES AND OTHER RESTRICTIVE REGULATIONS OF COMMERCE WITHIN THE MEANING OF ARTICLE XXIV:8?

D) IS IT THE INTENT OF THE PARTIES TO SEEK AN ARTICLE XXV WAIVER PENDING CONSIDERATION OF THE POSSIBILITY OF A WIDER ASSOCIATION TAKING THE FORM OF A FREE TRADE AREA OR A CUSTOMS UNION COVERING SUBSTANTIALLY ALL TRADE AND, IF AN INTERIM AGREEMENT, PROVIDING A REASONABLE PLAN AND SCHEDULE FOR ITS FORMATION?

E) WHAT IS THE EXPERIENCE OF THE PARTIES WHICH LEADS THEM TO EXPECT THAT ECONOMIC INTEGRATION OF COUNTRIES AT VERY DIFFERENT STAGES OF ECONOMIC DEVELOPMENT AND INDUSTRIAL CAPACITY CAN BE ACHIEVED IN A REASONABLE PERIOD OF TIME WITHIN THE MEANING OF ARTICLE XXIV? SPECIALLY, HOW DOES THE INTENDED TIME FRAME FOR ECONOMIC INTEGRATION BETWEEN THE EC AND LEBANON COMPARE WITH THE PERIODS PROPOSED FOR ECONOMIC INTEGRATION UNDER THE EC'S OTHER PREFERENTIAL TRADE AGREEMENTS WITH MEDITERRANEAN COUNTRIES?

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II. ARTICLE 2:

A) WHAT WAS THE TOTAL VALUE OF IMPORTS BY THE EC OF NINE FROM LEBANON FOR EACH OF THE TWO MOST RECENT YEARS FOR WHICH TRADE STATISTICS ARE AVAILABLE? WHAT ARE THE COMPARABLE FIGURES FOR IMPORTS BY LEBANON FROM THE EC?

B) WHAT VALUE AND PERCENTAGE OF THESE IMPORTS ARE 1) INDUSTRIAL PRODUCTS AND 2) AGRICULTURAL PRODUCTS? WHAT ARE THE VALUES OF CITRUS IMPORTED BY THE EC?

C) WHAT VALUE AND PERCENTAGE OF 1) IMPORTED INDUSTRIAL PRODUCTS AND 2) IMPORTED AGRICULTURAL PRODUCTS WILL BE FREE TO ENTER THE EC FROM LEBANON AND ENTER LEBANON FROM THE EC WITHOUT PAYMENT OF DUTIES OR BEING SUBJECT TO OTHER RESTRICTIVE REGULATIONS OF COMMERCE? WHAT VALUE AND PERCENTAGE OF 1) INDUSTRIAL TRADE AND 2) AGRICULTURAL TRADE BETWEEN THE PARTIES WILL BE SUBJECT TO PREFERENTIAL TARIFFS?

III. ARTICLE 3:

WHAT IS THE MEANING OF THE "SPECIAL PROVISIONS RELATING TO THE FRONTIER ZONE?"

IV. ARTICLE 9 AND THE PROTOCOL:

A) UNDER THE RESTRICTIVE RULES OF ORIGIN PROVISIONS OF THIS AGREEMENT, MANY FINISHED GOODS PRODUCED IN LEBANON EITHER WILL BE REQUIRED TO RELY ON FOR SOURCING OF PARTS AND COMPONENTS FROM THE EC OR WILL NOT BE ELIGIBLE FOR ORIGIN TREATMENT. TO WHAT EXTENT WOULD FINISHED GOODS NOW PRODUCED IN LEBANON NOT BE ELIGIBLE FOR PREFERENTIAL TARIFF STATUS WHEN EXPORTED TO THE EC BECAUSE OF THE STRINGENT LIMITATIONS ON USAGE OF NON-ORIGIN SOURCING POSED BY THESE RULES?

B) WHAT MEASURES MIGHT BE TAKEN TO PREVENT ADVERSE EFFECTS ON TRADE IN PARTS AND COMPONENTS FROM THIRD COUNTRY SUPPLIERS AND THUS TO MEET THE STIPULATION OF GATT ARTICLE XXIV:4 THAT A CUSTOMS UNION OR A FREE TRADE AREA'S

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PURPOSE SHOULD BE "NOT TO RAISE BARRIERS TO THE TRADE OF OTHER CONTRACTING PARTIES..."

C) HOW DO THE RULES OF ORIGIN UNDER THIS AGREEMENT DIFFER FROM THOSE OF OTHER EC ASSOCIATION AGREEMENTS? HOW WILL THE EC ADMINISTER THE MANY RULES OF ORIGIN AND PREFERENTIAL TARIFF PROVISIONS, WHICH ARE DIFFERENT AND COMPLEX FOR EACH EC PREFERENTIAL TRADE AGREEMENT, IN ORDER TO ASSURE THAT THESE ARRANGEMENTS DO NOT SERVE AS A SUBSTANTIAL BARRIER TO TRADE BETWEEN THE EC AND ITS ASSOCIATES AND TO EXPORTS OF THIRD COUNTRIES SUPPLYING GOODS TO THE EC AND THE ASSOCIATED COUNTRIES?

D) WILL PRODUCERS IN THE EC AND IN LEBANON BE ABLE TO

MEET THE RULES OF ORIGIN REQUIREMENTS ON THE BASIS OF
SEGREGATION OF INVENTORY RECORDS AND/OR USE OF
PROPORTIONAL ACCOUNTING METHODS REFLECTING THE SOURCES
OF TOTAL PURCHASES OF INPUTS OVER SPECI
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